



Ministry
of
Revenue

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Retail Sales Tax Branch

Information Bulletin

Retail Sales Tax Act

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Publications

This bulletin provides further clarification on the changes in the Retail Sales Tax Act presented by the Treasurer of Ontario in the Budget of May 10, 1983. It also provides information on technical and administrative changes in the Act.

If you require further information, please contact your local district office listed on the back page of this bulletin.

The details presented in this bulletin are intended only as a guideline. For specific applications you should refer to the Retail Sales Tax Act.

INFORMATION HIGHLIGHTS

- CHILDREN'S CAR SEATS — TEMPORARY EXEMPTION
- TEMPORARY EXEMPTION FOR HOUSEHOLD FURNITURE AND APPLIANCES — EXTENDED DELIVERY PERIOD
- CUT NATURAL CHRISTMAS TREES — EXEMPTION
- PRODUCTION MACHINERY — EXEMPTION
- TAX-INCLUDED PRICING FOR EATING ESTABLISHMENTS, TAVERNS AND VENDING MACHINE OPERATORS
- PENALTIES AND FINES — INCREASED
- MONUMENT DEALERS
- INTEREST — NEW RATE
- SALES TAX GUIDES
- SOD GROWERS
- RETAILERS OF TOBACCO PRODUCTS



CHILDREN'S CAR SEATS — TEMPORARY EXEMPTION

The recent amendment to the *Highway Traffic Act* makes it mandatory for all children weighing under 18 kilograms (approximately 40 lbs) to be restrained in a federally approved child restraint system while being transported in a motor vehicle.

To provide tax relief to parents affected by this change in the seat belt law, the purchaser of an approved children's car seat will be exempt from retail sales tax if the purchase is made on or after October 18, 1983 and before January 1, 1984.

A qualifying car seat is one that:

- conforms to the requirements of the Children's Car Seats and Harnesses Regulation made under the *Hazardous Products Act* (Canada) or to the requirements of Standard 213 under the *Motor Vehicle Safety Act* (Canada);
- has all harnesses, straps and buckles designed to secure the child in the car seat properly; and
- is designed for children weighing less than 18 kilograms.

Booster seats are not eligible.



TEMPORARY EXEMPTION FOR HOUSEHOLD FURNITURE AND APPLIANCES — EXTENDED DELIVERY PERIOD

The deadline for the *delivery* of household furniture and appliances purchased during the temporary exemption period which ended August 9, 1983 has been extended to December 31, 1983. Previously the merchandise had to be delivered by November 7, 1983 to qualify for exemption.



CUT NATURAL CHRISTMAS TREES — EXEMPTION

Vendors are reminded that *cut* natural Christmas trees are exempt from tax when sold during the month of December. The exemption is provided by an Order-in-Council.

Artificial trees and other Christmas decorations remain subject to tax.



PRODUCTION MACHINERY — EXEMPTION

The May 10, 1983 Ontario Budget broadened the exemption for production machinery and equipment to parallel the *Excise Tax Act* (Canada). In effect, Ontario exempts the same type of production machinery and equipment that is exempt under Part XIII of Schedule III to the *Excise Tax Act* (Canada). Regulation 903 s16(1) specifically excludes certain machinery and equipment from the exemption. In most cases, the equipment is similar to those items that are excluded federally in memorandum E.T. 303.

The major differences between the Ontario and federal legislation for manufacturers is in the definition of who is and who is not a manufacturer.

Definition of "Manufacturer"

Effective May 11, 1983, Ontario amended its definition of a manufacturer to mean a person who produces more than \$5,000 worth of goods for sale or \$50,000 worth of goods for own use. The new definition excludes the following:

- lawyers, accountants, engineers and architects, to the extent that they produce printed matter in connection with the rendering of their professional services
- ready-mix concrete and asphalt mix producers
- public hospitals, schools or universities
- any restaurateur, caterer or person in the business of preparing in an eating establishment, centralized kitchen, or similar establishment, prepared food products or beverages whether or not such prepared food products or beverages are for consumption on the premises of that restaurateur, caterer or person
- a religious, charitable, benevolent or non-profit organization to the extent that they manufacture stage props, sets and costumes for use by them in their staging of a live theatrical or musical performance.

Ontario has not adopted the federal concept of a manufacturer nor the treatment of Small Manufacturers.

Persons Excluded From the Exemption

In addition to the class of equipment that may be excluded from the exemption, the Ontario legislation also allows the Minister to specifically exclude any person from the exemption.

Persons or corporations not entitled to the exemptions for production machinery are:

1. Ontario Government Ministries and Ontario Crown agencies
2. Municipalities including districts and regions
3. School, public library, park management, health, police, planning, utility, or transportation boards or commissions or any board or commission set up by one or more municipalities
4. Ontario Hydro, the Urban Transportation Development Corporation or any corporation all of the directors of which are appointed by the Lieutenant Governor in Council
5. Machinery and equipment purchased by contractors or subcontractors to fulfill a contract for persons under 1, 2, 3 or 4 above.



TAX-INCLUDED PRICING FOR EATING ESTABLISHMENTS, TAVERNS AND VENDING MACHINE OPERATORS

Vendors in the hospitality industry, such as eating establishments, taverns, and vending machine operators, may adopt tax-included pricing when selling prepared food products or alcoholic beverages, if they wish to do so.

When you elect to use tax included pricing, the law requires you to post *the percentage of the tax that is included in the price in public view*.

You may either make a note to such effect on your menus or post a sign.

Failure to post such a sign when using this method of accounting for tax could result in an assessment, as the price quoted will be deemed to be the selling price before tax.



PENALTIES AND FINES — INCREASED

Effective May 26, 1983, penalties and fines for the following offences have been increased substantially.

Penalties

- understating fair value
- failure to file a return
- failure to complete information on a return
- non-collection of tax
- failure to keep adequate records

Court Imposed Fines

- failure to remit tax collected
- attempt to evade tax
- any offence against the Act



MONUMENT DEALERS

Effective January 1, 1984, monument dealers who qualify as a manufacturer and who install the monument are required to account for and remit sales tax on the manufactured cost of the monument. The manufactured cost (material, direct labour, manufacturing overhead and federal sales tax) may be determined by using actual cost records or as an alternative, tax may be accounted for on a formula basis.

The formula for calculating tax is as follows:

$$55\% \times \text{the installed selling price} \times \text{tax rate.}$$

Installed selling price is to include all charges for lettering, carving, foundation, transportation to the site of erection, erection and all other incidental charges applicable to the sale of the monument or memorial.

Previously, monument dealers were divided into two classifications and accounted for tax separately in each division.

For further details, refer to Ontario Sales Tax Guide #703 which may be obtained from your local district office.



INTEREST — NEW RATE

Commencing March 31, 1983, the rate of interest allowed on overpayments and rebates, or payable on assessments will be adjusted semi-annually on April 1st and October 1st each year. The rate will be based on the average of the lowest interest rate charged by each of the five major chartered banks to their most credit-worthy borrowers for prime business loans. The rate so determined will be published in the Ontario Gazette. As of October 1, 1983, the rate of interest is 11%.



SALES TAX GUIDES

The following is a list of Ontario Sales Tax Guides available at your local Retail Sales Tax Office.

<u>Guide No.</u>	<u>Topic</u>
100	Do You Need a Vendor's Permit?
101	How to Complete Your Tax Return
102	Settler's Effects
103	Vendor Responsibilities
104	Purchase Exemption Certificates
106	Retail Sales Tax Refunds
107	Trappers and Commercial Fishermen
108	Imported Goods
109	"Discover Ontario" Refunds
113	Real Property and Fixtures
114	Destruction of Records
115	Automotive Repairers
117	Private Sales
118	Vehicle Tax Refunds for the Physically Handicapped
119	Food Products
120	Labour Charges
121	Prepared Foods
122	Snack Foods and Candies
123	Tax-Included Pricing
124	Accommodation
125	Alcoholic Beverages
126	Admissions
127	Exempt Items for the Disabled
128	Rentals
129	Delivery Charges
130	Recreational Facilities
131	Tax Refunds: Religious, Charitable and Benevolent Organizations
132	Motor Vehicle Transfers
133	Diplomats
134	Non-Resident Contractors
135	Animals and Pets
136	Florists and Nurseries
137	Flea Markets
138	Books and Magazines
140	Children's Clothing and Footwear
141	Hospitals
143	Religious, Charitable and Benevolent Organizations
144	Photographers
145	Flooring Materials
146	Discount Coupons
147	Farmers
148	Newspapers and Supplements
149	Status Indians



SOD GROWERS

Effective May 14, 1982, sod is subject to 7% retail sales tax. All sod growers, unless *all* sales are made to nurseries for resale, must hold a vendor's permit.

When a grower sells sod to persons or businesses who install the sod, he should collect 7% tax on the selling price of the sod. Delivery charges are subject to tax unless identified separately and the purchaser assumes both title and risk of loss to the sod at the vendor's place of business.

Sales made to nurseries or other sales outlets for resale are exempt from retail sales tax. The nursery or other sale outlet should provide the grower with a purchase exemption certificate to support the exempt sale. Delivery charges on these exempt sales are not subject to tax.

When a grower installs the sod he has grown, he is acting as a landscape contractor. He must calculate and remit tax at the 7% rate on his produced cost of sod. In this instance, delivery charges are not subject to tax.

The "produced cost" of the sod is deemed to be 80% of the full field selling price of the harvested sod and may be determined by the grower by using any one of the following methods:

- i) Installed price *less* actual freight and recorded labour to install.
- ii) Most expensive field selling price of harvested sod used during the current year.
- iii) The weighted average of last year's field selling prices of harvested sod.

As a farmer, a grower may purchase tax-exempt the seeds for growing sod and any equipment used to grow and harvest the sod.

RETAILERS OF TOBACCO PRODUCTS

- It is your responsibility to ensure that your supplier of cigarettes and other tobacco products, holds a valid tobacco permit issued to all wholesalers of tobacco products by the Ministry of Revenue.
- This wholesaler's permit number must be displayed on all invoices and correspondence.
- For further information, call the Motor Fuels and Tobacco Tax Branch collect at (416) 433-6340 or 433-6395.

FOR FURTHER INFORMATION CONSULT THE DISTRICT OFFICE IN YOUR AREA,
AS LISTED BELOW:

BELLEVILLE K8N 1E3	208 Dundas Street East 962-9108 Zenith 71820	ORILLIA L3V 6K5	19 Front Street North P.O. Box 670 325-9587 Zenith 71830 33 King St. W. P.O. Box 629 433-6240	THUNDER BAY P7C 5G6	435 James Street South P.O. Box 5000 Ontario Government Bldg. 475-1681 Zenith 72310 2300 Yonge St. 10th Floor 487-1361 Zenith 71800 76 Division Street 732-1318 (in St. Catharines and Niagara Falls, call 688-1360 or 688-1368)
HAMILTON L8N 3Z9	119 King Street West P.O. Box 2112 521-7504 Zenith 71440	OSHAWA L1H 8K1	1355 Bank Street 523-9760 Zenith 71400 2 Robert Speck Parkway 273-9490	TORONTO M4P 1H6	Zenith 71410 2300 Yonge St. 10th Floor 487-1361 Zenith 71800 76 Division Street 732-1318 (in St. Catharines and Niagara Falls, call 688-1360 or 688-1368)
KITCHENER N2M 1N2	449 Belmont Ave. W. 576-8400 Zenith 71020	OTTAWA K1H 8K7	1355 Bank Street 523-9760 Zenith 71400 2 Robert Speck Parkway 273-9490	WELLAND L3B 3Z7	Zenith 71410 2300 Yonge St. 10th Floor 487-1361 Zenith 71800 76 Division Street 732-1318 (in St. Catharines and Niagara Falls, call 688-1360 or 688-1368)
LONDON N6C 4P4	310 Wellington Rd S. 433-3901 1-800-265-1540	PEEL L4Z 1H8	Ontario Government Bldg. P3E 5P9	WINDSOR N9A 6V9	Zenith 71410 2300 Yonge St. 10th Floor 487-1361 Zenith 71800 76 Division Street 732-1318 (in St. Catharines and Niagara Falls, call 688-1360 or 688-1368)
NORTH BAY P1B 2H3	1500 Fisher Street Northgate Plaza 474-4900 Toll Free 1-800-461-1564	SUDBURY P3E 5P9	199 Larch St. 675-4351 Zenith 71850		Zenith 71410 2300 Yonge St. 10th Floor 487-1361 Zenith 71800 76 Division Street 732-1318 (in St. Catharines and Niagara Falls, call 688-1360 or 688-1368)

Pour obtenir cette publication en français, veuillez communiquer avec votre bureau régional de la Taxe de vente au détail.